December 10, 2008

Ms. Mary Nichols Chair, California Air Resources Board P.O. Box 2815 Sacramento, California 95812

Re: City of Burbank's Comments on ARB's Proposed Scoping Plan

Dear Ms. Nichols:

On behalf of the Burbank City Council, we appreciate the opportunity to provide comments on the Air Resources Board (ARB) AB 32 Proposed Scoping Plan (PSP). The City of Burbank recognizes the tremendous effort required to develop this comprehensive statewide plan to reduce greenhouse gas emissions, and we would like to commend the ARB for its leadership on this issue.

The City of Burbank strongly supported the passage of AB 32 and is proud of our community's environmental commitment and record. Burbank Water and Power (BWP) is the City's municipal utility, which the City Council governs. The City Council has already adopted a 33% Renewable Portfolio Standard (RPS) and currently the City is already below our 1990 greenhouse gas emission (GHG) levels.

In addition, the City is preparing its own General Plan Air Quality Element/Climate Action Plan and our recently adopted Sustainability Action Plan includes goals to reduce our greenhouse gas emissions by 25% before 2030 and seeks to effectuate this goal through its aggressive energy efficiency program and renewable portfolio goals.

The City of Burbank remains committed to partnering with the State to achieve the goals of AB 32 to reach 1990 GHG emission levels by 2020. While we believe the PSP provides a workable framework for promulgating regulations to AB 32, we have some serious concerns and offer the following comments:

Avoid auction of allowances that creates windfall profits

The CPUC and CEC recommend a phased auction of GHG allowances for the electricity sector starting at 20% of allowances in 2012 reaching 100% in 2016. For Burbank, the cost of an auction could be prohibitively expensive.

In adopting its Sustainability Action Plan and 33% RPS policy, the Council has accepted the rate increases and direct investments that will be necessary to achieve electric and water end use efficiency as well as to expand the use of recycled water and renewable energy. This commitment will likely raise electric rates 30% and water rates substantially more.

Under current rates of CO2 output from BWP's power plants, if the state taxes 20% of the GHG emissions allowances at the rate of \$30 per ton, Burbank would pay about \$4,203,792 annually. If the auction price is \$50 per ton, the cost to Burbank would be approximately \$7,006,300 annually. By 2016 these amounts would grow to \$21,018,960 and \$35,031,500 respectively. The auction in its current form would dramatically impact utility rates an additional 30% without effectuating any corresponding reduction in GHG emissions. It would seem that this is in conflict with the cost/benefit policy set forth in AB 32.

Keep Burbank's local dollars in our community

Burbank is going to be challenged to meet the policies set by the Council and the State because we have a more GHG-intensive resource mix than retail providers in other parts of California. The Burbank community should not be subject to the double burden of paying for allowances while also paying for direct investments in GHG emission reduction measures.

We strongly advocate that ARB avoid wealth transfers among retail providers of electricity. The use of a cap-and-trade program as contemplated by the CPUC and CEC would have significant distributed adverse economic impacts on the State of California. If deployed, a cap-and-trade program should not grant allowances based upon electric load and certainly not load served by legacy large hydro and nuclear power plants. Cap-and-trade should be held in reserves as a secondary tool to be used if direct regulation does not meet the energy sector's goals.

We do not believe transferring local dollars to Sacramento to fund undefined programs is sound public policy.

Further economic modeling is needed

The Legislative Analyst's Office conducted an evaluation of the PSP which identified weaknesses in the economic analysis. The effect of the cap-and-trade program on the electric utility sector's economic bottom line is unclear. The use and design of market mechanisms are very complex and involve many key policy choices. While successful examples of the use of market mechanisms to control air emissions exist, such as the federal acid rain program, there is little experience with the assigning or allocating emission credits to load rather than to emitters. As ARB continues to develop its proposed cap-and-trade program, it will be important for the Legislature to oversee and provide policy direction on these issues.

Help local governments with funding local actions to achieve reductions

The PSP encourages local jurisdictions to adopt a goal of reducing greenhouse gas emissions. The City is concerned with the potential of a voluntary goal becoming mandatory in light of these difficult economic times. Many jurisdictions, including the City of Burbank, are expected to experience, or already have incurred, a decline in local property tax, sales tax, and overall revenue. This funding loss may limit the ability of local jurisdictions to finance the upfront costs of achieving greenhouse gas reductions so as to meet the now-voluntary local goal.

The City recommends that the State assist in providing the leadership and support, both technical and financial, which is needed to assist local governments in implementing changes to reduce greenhouse gases resulting from transportation and land use policies, as well as other sectors such as green building design, energy and water conservation, and recycling.

Public Outreach and SB 375

In addition, the City encourages the State to work closely with, and allow for, increased public outreach opportunities with local jurisdictions, elected officials, and the public, when developing realistic regional targets for greenhouse gas reductions and a plan for achieving those greenhouse gas emissions through the SB 375 process.

Burbank has, and will continue to be, a leader in our region on sustainability. Furthermore, we are committed to participating in the AB 32 rulemaking and toward that effort our City Council passed the attached Resolution on December 10, 2008.

Thank you for the opportunity to play an active role in this process. Should you have any questions or require additional information regarding our comments, please contact Tracy Steinkruger, Associate Planner, at (818) 238-5250 or tsteinkruger@ci.burbank.ca.us.

Sincerely,

David Golonski

Mayor

Turner, Karen

From:

McGinley, Lianne

Sent:

Tuesday, December 09, 2008 9:36 PM

To:

Turner, Karen

Cc:

Steinkruger, Tracy, Morillo, Richard J., Arakelian, Sana

Subject:

Letter to ARB for the Mayor's signature

Attachments:

December 10 City Council Letter to ARB.docx

Importance:

High

Hi Karen,

The Council made some changes to the letter to ARB last night. I have revised it. Please let me know if you have any questions.

Thanks, Lianne

Lianne McGinley Legislative Analyst Burbank Water and Power 164 W. Magnolia Blvd. Burbank, CA 91502 818.238.3661 (work) 818.389.5461 (cell) 818.238.3560 (fax) Ms. Mary Nichols Chair, California Air Resources Board P.O. Box 2815 Sacramento, CA 95812

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We do not believe transferring local dollars to Sacramento to fund undefined programs is sound public policy and we will oppose this by all means available to us and seek support from other local jurisdictions.

Further economic modeling is needed

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Sincerely,

David Golonski Mayor